Network Pet Products (M) Sdn Bhd v Royal Canin SAS & Anor

HIGH COURT (KUALA LUMPUR) — SUIT NO 22NCC-1038–7 OF 2012
HASNAH HASHIM J
8 OCTOBER 2012

Civil Procedure — Injunction — Setting aside — Restraining defendant from distributing their own trademark products — Whether plaintiff should have initiated and applied for injunction immediately upon receipt of notice of non-renewal of contract — Whether plaintiff failed to act with promptitude — Whether injunction ought not to be granted to restrain defendant from distributing its own products — Balance of convenience — Whether in favour of plaintiff — Whether established — Rules of the High Court 1980 O 29 r 1, O 32 r 6 & O 3 r 5

The plaintiff, a company incorporated in Malaysia, and the defendant, a company incorporated in France, had been, since 1996, involved in trading and/or manufacturing pet products bearing the 'Royal Canin' trademark. In order to formalise the existing arrangement with the plaintiff, the first defendant had, in March 2003 entered into a written contract of distributorship with the plaintiff. The said contract was initially for a period of two years ending on 31 December 2004. However, when the contract term ended, the parties continued with the relationship without executing any renewal agreement. The contract was renewed on a yearly basis by the conduct of the parties. Vide a letter dated 21 October 2011 the first defendant gave the plaintiff nine months' notice to terminate the contract which would expire on 31 July 2012. The plaintiff contended that the first defendant had agreed to continue with the business relationship where the plaintiff would be the sole and exclusive distributer of the products in Malaysia and Brunei. Over the course of the years, the plaintiff had established its business as the sole and exclusive distributer of the products. Sometime in 2011, the first defendant set up a representative office in Malaysia and the second defendant was established on 17 May 2012. As a result of the first defendant's action, the plaintiff alleged that they had not only lost the benefit of the partnership but also the profits derived from the sale of the products. The defendant sought to set aside the ex parte injunction order granted to the plaintiff.

Held, allowing the defendants' application with costs:

(1) The notice of intention not to renew the contract was issued by the defendant to the plaintiff in October 2011. The injunction application was filed by the plaintiff in July 2012. No explanation was given as to the

delay in filing the application except that it was only in May 2012 that the plaintiff discovered that the second defendant was incorporated. It was only on or around June 2012 that the plaintiff realised that there was a high probability that the defendants would begin distributing the products. However, the notice of non-renewal of the contract was issued in October 2011. Clearly the plaintiff was aware form October 2011 of the intention of the defendants. The notice in actual fact gave the plaintiff nine months' to distribute and sell any balance supply of the products. The plaintiff should have initiated and applied for an injunction immediately upon the receipt of notice of non-renewal. This clearly showed that the plaintiff had not acted with promptitude (see paras 11–12 & 14).

(2) On the balance of convenience, an injunction ought not to be granted to restrain the defendant from distributing its own products which is in the defendant's trademark name. The plaintiff had also failed to show that irreparable harm or damage would be caused to them and that such harm or damage would place them in an irretrievable position incapable of remedy by way of damages (see para 15).

[Bahasa Malaysia summary

Plaintif, sebuah syarikat yang diperbadankan di Malaysia, dan defendan-defendan, sebuah syarikat yang diperbadankan di Perancis, telah terlibat dalam perdagangan dan/atau pengeluaran produk-produk haiwan dengan cap dagangan 'Royal Canin' sejak tahun 1996. Untuk merasmikan perjanjian yang sedia ada dengan plaintif, defendan pertama telah, pada Mac 2003, memeterai satu kontrak bertulis bagi pengedaran dengan plaintif. Pada mulanya, kontrak tersebut adalah untuk tempoh dua tahun yang mana akan berakhir pada 31 Disember 2004. Walau bagaimanapun, apabila tempoh kontrak tersebut tamat, pihak-pihak meneruskan hubungan tanpa melaksanakan sebarang perjanjian pembaharuan. Kontrak diperbaharui oleh pihak-pihak pada setiap tahun. Melalui surat bertarikh 21 Oktober 2011, defendan pertama memberikan notis sembilan bulan kepada plaintif untuk menamatkan kontrak yang akan tamat pada 31 Julai 2012. Plaintif menghujahkan bahawa defendan pertama telah bersetuju untuk meneruskan hubungan perniagaan yang mana plaintif akan menjadi pengedar tunggal dan eksklusif produk-produk di Malaysia dan Brunei. Sepanjang tahun-tahun tersebut, plaintif telah menubuhkan perniagaannya sebagai pengedar tunggal dan eksklusif produk-produk. Kira-kira pada tahun 2011, defendan pertama telah menubuhkan sebuah pejabat perwakilan di Malaysia dan defendan kedua telah ditubuhkan pada 17 Mei 2012. Akibat tindakan defendan pertama, plaintif mendakwa bahawa mereka bukan sahaja kehilangan faedah daripada perkongsian tetapi juga keuntungan yang diperolehi daripada jualan

produk-produk. Defendan-defendan memohon untuk mengetepikan perintah injunksi ex parte yang diberikan kepada plaintif.

Diputuskan, membenarkan permohonan defendan-defendan dengan kos:

(1) Notis niat untuk tidak memperbaharui kontrak telah diberikan oleh defendan-defendan kepada plaintif pada Oktober 2011. Permohonan injunksi telah difailkan oleh plaintif pada bulan Julai 2012. Tiada penjelasan yang diberikan tentang kelewatan memfailkan permohonan itu kecuali bahawa pada Mei 2012 barulah plaintif mendapati bahawa defendan kedua telah diperbadankan. Hanya pada atau sekitar bulan Jun 2012 bahawa plaintif menyedari akan terdapatnya kebarangkalian tinggi bahawa defendan-defendan akan mula mengedarkan produk-produk. Walau bagaimanapun, notis tidak memperbaharui kontrak dikeluarkan pada bulan Oktober 2011. Jelas bahawa plaintif sedar akan niat defendan-defendan pada Oktober 2011. Notis tersebut memberikan plaintif masa sembilan bulan untuk mengedar dan menjual apa-apa baki bekalan produk-produk. Plaintif sepatutnya memulakan dan memohon injunksi sebaik sahaja menerima notis tidak memperbaharui. Ini jelas menunjukkan bahawa plaintif tidak bertindak dalam waktu yang ditetapkan (lihat perenggan 11–12 & 14).

(2) Pada imbangan kebarangkalian, suatu injunksi itu tidak harus diberikan untuk menghalang defendan-defendan daripada mengedarkan produk-produknya sendiri yang mempunyai cap dagangan defendan-defendan. Plaintif juga gagal menunjukkan bahawa kemudaratan atau kerosakan yang tidak boleh dibaiki akan berlaku kepada mereka dan bahawa kemudaratan atau kerosakan tersebut akan meletakkan mereka dalam kedudukan yang tidak dapat diremedikan melalui ganti rugi (lihat perenggan 15).]

Notes

For cases on setting aside, see 2(2) *Malla's Digest* (4th Ed, 2012 Reissue) paras 4174–4186.

Cases referred to

Alor Janggus Soon Seng Trading Sdn Bhd & Ors v Sey Hoe Sdn Bhd & Ors [1995] 1 MLJ 241; [1995] 1 CLJ 461, SC (refd)

Legislation referred to

Rules of the High Court 1980 O 3 r 5, O 29 r 1, O 32 r 6

M Nagarajah (Tanya Marie Lopez and Ida Daniella Zulkifli with him) (Shook Lin & Bok) for the plaintiff/appellant.
Jack Yow (Rahmat Lim & Partners) for the defendants/respondents.

Hasnah Hashim J:

[1] Enclosure 22 is the defendants' application pursuant to O 29 r 1, O 32 r 6 and O 3 r 5 of the Rules of the High Court 1980 for the following orders:

(a) that the ex parte injunction order granted on 19 July 2012 be set aside; and

(b) an order for damages.

[2] The plaintiff is a company incorporated in Malaysia carrying on the business of trading and/or manufacturing of pet products. The defendant is a company incorporated in France carrying on the business of trading in and/or manufacturing of pet products.

[3] On or around the year 1996 the plaintiff entered into an oral agreement with the first defendant to supply pet food products bearing the 'Royal Canin' trademark ('the products'). The plaintiff started selling pet accessories as well as the products. On 15 May 2003 the first defendant entered into a written contract of distributorship with the plaintiff to formalise the existing arrangement with the plaintiff. The first defendant appointed the plaintiff as its sole distributer of the products. Article 1 of the said contract provides that the plaintiff:

> … sells in its own name in its account. It has a status of an independent dealer vis-a-vis ROYAL CANIN SA and vis-a-vis its customers. It will be held to promote sales of the ROYAL CANIN products … without being authorized to act in the name or on behalf of ROYAL CANIN.

[4] The said contract was for a period of two years commencing from 1 January 2003 and ending on 31 December 2004.

[5] Based on the terms of the contract the plaintiff forwarded annual business plans to the first defendant for vetting and approval. Article XVII of the contract stipulates that the contract may be renewed for consecutive periods of one year subject to the approval of the first defendant and also an agreement of the minimum sales target for the year. When the contract term expired on 31 December 2004 the parties continued with relationship without executing any renewal agreement. The parties continued with the business relationship as per the contract until December 2007. After December 2007 there were no business plans issued by the plaintiff for the first defendant's vetting and approval. The contract was renewed on a yearly basis by the conduct of the parties until 21 October 2011.

[6] It is the contention of the plaintiff that the first defendant had agreed to continue with the business relationship where the plaintiff will be the sole and exclusive distributer of the products in Malaysia and Brunei. The plaintiff has been the sole distributer of the products in Malaysia and Brunei since the year 1996. Over the course of years the plaintiff has established its business as the sole and exclusive distributer of the products. Sometime in 2011 the first defendant set up a representative office in Malaysia. The second defendant was established on 17 May 2012.

[7] By a letter dated 21 October 2011 the first defendant informed the plaintiff that it was not going to renew the contract for another term and gave the plaintiff nine months notice which would expire on 31 July 2012. The plaintiff disputes the first defendant's entitlement to terminate the contract. It is the contention of the plaintiff that the first defendant's action incorporating the second defendant is an indication of the first defendant's intention to enter the Malaysian market to be the distributor of the products.

[8] As a result of the first defendant's action the plaintiff has not only lost the benefit of the partnership but also the profits derived from the sale of the products.

[9] After hearing the submissions of the plaintiff the ex parte application in particular (i), (ii), (iii), (vi), (v), (vi)(as amended), (ix), (x) and (xii) was allowed on 19 July 2012 with the usual undertaking for damages. The inter partes application was fixed on 7 August 2012.

[10] The application to set aside encl 22 was heard on 31 July 2012 and after hearing the submissions of both parties, I allowed the application to set aside the ex parte injunction and order in terms was granted.

[11] My reasons for allowing the setting aside of the ex parte injunction are as follows:

The notice of intention not to renew was issued by the defendant to the plaintiff in October 2011. The injunction application was filed by the plaintiff on 12 July 2012. No explanation was given as to the delay in filing the application except that it was only on 28 May 2012 that the plaintiff discovered that the second defendant was incorporated and the products were distributed in May 2012. It was only on or around June 2012 that the plaintiff realised that there was a high probability that the defendants would begin distributing the products.

[12] However as stated above the notice of non-renewal of the contract was issued in October 2011. Clearly the plaintiff was aware form October 2011 of

the intention of the defendants. The notice in actual fact gave the plaintiff nine months which expired on 31 July 2012 to distribute and sell the any balance supply of the products. The plaintiff should have initiated and applied for an injunction immediately upon the receipt of notice of the non-renewal.

[13] The Supreme Court in *Alor Janggus Soon Seng Trading Sdn Bhd & Ors v Sey Hoe Sdn Bhd & Ors* [1995] 1 MLJ 241; [1995] 1 CLJ 461 held:

> As with all equitable reliefs delay is a relevant factor in interlocutory proceedings for injunctive relief. An important maxim in regard to delay is that equity aids the vigilant, and not those who sleep on their rights; 'vigilantibus non dormientibus jura subvenient'. The essence of an application for interlocutory injunction is that it should be made with promptitude. It is said that the court will not grant an interlocutory injunction if the plaintiff having sufficient notice of the defendant's intention to commit the act sought to be restrained is guilty of unreasonable delay in applying to the court. The illustration of this principle is to be found in the case of *Salisbury v The Metropolitan Railway Company* (1870) 39 LJR Equity Ch 429. The cases of *Hj Wan Habib Syed Mahmud* and *Chung Khiaw Bank Ltd* cited above are Malaysian authorities on the same point. It must be pointed out, however, that not all delay is bad delay or, to be precise, inexcusable, as it may be explained or inevitable
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> Salmon LJ in *Allen v Sir Alfred McAlpine & Sons Ltd* [1968] 2 QB 229 set out at p 268 three factors which are relevant in considering whether delay should be allowed as a ground to refuse an interlocutory injunction. These factors are at p 268. Salmon LJ said:
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> > … In order for such an application to succeed, the defendant must show:
> >
> > (1) that there has been inordinate delay. It would be highly undesirable and indeed impossible to attempt to lay down a tariff — so many years or more on one side of the line and a lesser period on the other. What is oris not inordinate delay must depend upon the facts of each particular case.
> >
> > These vary infinitely from case to case, but inordinate delay should not be too difficult to recognise when it occurs.
> >
> > (2) that this inordinate delay is inexcusable. As a rule, until a credible excuse is made out, the natural inference would be that it is inexcuable.
> >
> > (3) that the defendants are likely to be seriously prejudiced by the delay. This may be prejudice at the trial of the issue between themselves and the plaintiff, or between each other, or between themselves and the third parties. In addition to any inference that may properly be drawn from the delay itself, prejudice can sometimes be directly proved.
> >
> > As a rule, the longer the delay, the greater the likelihood of serious prejudice at the trial.

It must also be emphasised here what is important to consider is not so much the length of the delay but whether the delay has in some ways made it unjust to grant the injunction claimed. Megarry J's observation in the case of *Legg v ILEA* [1972] 1 WLR 1245 appearing at pp 1259–60 is apposite:

> I have hesitated somewhat on this point. What seems to be important is not so much the length of the delay perse, but whether the delay has in some ways made it unjust to grant the injunction claimed. An injunction granted now would be more burdensome to the ILEA and to the parents and boys affected by it than an injunction granted two months ago.
>
> Nevertheless I am not persuaded that the added burden is of sufficient weight to bar the remedy …

[14] In the instant case despite the notice of non-renewal issued on 21 October 2011 which would expire on 12 July 2012 the plaintiff decided to wait and only filed the writ and the statement of claim on 3 July 2012 as well as the summons in chambers on 12 July 2012. This clearly show that the plaintiff had clearly not acted with promptitude.

[15] The circumstances show that the balance of convenience is in the defendant's favour. On the balance of convenience, an injunction ought not to be granted to restrain the defendant from distributing its own products which is in the defendant's trademark name. The plaintiff also have failed to show that irreparable harm or damage would be caused to them and that such harm or damage would place them in an irretrievable position incapable of remedy by way of damages.

[16] For all of the above reasons I allow the defendants' application in encl 22 with costs and direct that the trial of this action be set down for trial as soon possible.

Application allowed with costs.

Reported by Ashgar Ali Ali Mohamed